Message Text

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INFO OCT-01 ARA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 COME-00 EPG-02 DODE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 AGRE-00 /102 W

-----031589 220109Z /63

R 211725Z JUN 77 FM AMEMBASSY QUITO TO SECSTATE WASHDC 4800 INFO AMCONSUL GUAYAQUIL

CONFIDENTIAL QUITO 4081

E.O. 11652: GDS

TAGS: BDIS, EINV, ENRG, EC

SUBJECT: SEMBLANTES SAYS NORTHWEST WILL BE FORCED TO FULFILL IT'S CONTRACT OBLIGATIONS

REF: QUITO 3-63

1. DURING GUAYAQUIL PRESS CONFERENCE JUNE 17, MINISTER OF NATURAL RESOURCES JAIME SEMBLANTES ANNOUNCED ONCE AGAIN THAT HE WOULD FORCE NORTHWEST TO FULFILL ITS CONTRACT OBLIGATIONS FOR DEVELOPMENT OF NATURAL GAS IN THE GULF OF GUAYAQUIL. ANNOUNCEMENT RECEIVED PROMINENT COVERAGE IN LOCAL PRESS.

2. SEMBLANTES POINTED OUT THAT NORTHWEST HAS NOT YET BEGUN ITS DRILLING PROGRAM SCHEDULED FOR THIS YEAR, AND THAT ONLY COMPLETION OF THE DRILLING PROGRAM WOULD FURNISH A DEFINITIVE ESTIMATE OF RESERVES. HE ADDED THAT NORTHWEST'S PROPOSAL FOR SUPPLYING GAS TO THE GUAYAQUIL MARKET WAS NOT IN ACCORD WITH THE CEPENORTHWEST CONTRACT AND CLAIMED (APPARENTLY CONTRADICTING HIS PREVIOUS STATEMENT) THAT THE CONTRACT CONFIDENTIAL

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SPECIFIED THAT THE RESERVE LEVEL WAS SUFFICIENT TO PERMIT CONSTRUCTION OF A FERTILIZER PLANT.

3. COMMENT: THE NORTHWEST CONTRACT STATES THAT CONSTRUCTION OF AN AMMONIA/UREA COMPLEX IS DEPENDENT ON DETERMINATION OF THE RESERVE LEVEL AND ON A NUMBER OF OTHER FACTORS. NORTHWEST ATTORNEY LUIS

SALAZAR TOLD EMBOFF JUNE 17 THAT SEMBLANTES' RECENT REMARKS WERE UNEXPECTED, SINCE GENERAL DURAN HAD SEEMED SYMPATHETIC TO NORTHWEST'S PRESENTATION. (REFTEL). NORTHWEST HAS NOT YET APPROACHED GENERAL DURAN A SECOND TIME BUT PLANS TO DO SO IN THE NEAR FUTURE.

BLOOMFIELD

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TAGS: BDIS, EINV, ENRG, EC, NORTHWEST, (SEMBLANTES, JAIME)

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